

DEC 29 2005

Michigan Department of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name LOCAL AUDIT & FINANCE DIV. City of Sylvan Lake, Michigan	County Oakland
Audit Date 6/30/2005	Opinion Date 9/1/2005	Date Accountant Report Submitted to State: 12/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Janz & Knight, P.L.C.			
Street Address 300 East Long Lake Road, Suite 360	City Bloomfield Hills	State MI	ZIP 48304-2377
Accountant Signature <i>John M. Fort</i>		Date 12/22/05	

CITY OF SYLVAN LAKE, MICHIGAN

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50
YEARS
1954-2004

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Council
City of Sylvan Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sylvan Lake, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Sylvan Lake, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sylvan Lake, Michigan, as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sylvan Lake, Michigan basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Very truly yours,

Janz & Knight, P.L.C.

Certified Public Accountants

Bloomfield Hills, Michigan

September 1, 2005

June 30, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Sylvan Lake's (the City) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues or concerns.

Using this Annual Report

The City's annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide financial statements.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and Statement of Activities. They are designed to be corporate-like in that all governmental and business-type funds are consolidated into columns which add to a total for the primary government. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are also taken into account regardless of timing of cash being paid or received.

The City as a Whole

Net Assets - The City's combined net assets were \$3,103,783 at the close of the year ended June 30, 2005. This represents an increase of \$192,200 or a 7% increase from a year ago. As we look at governmental activities separately from the business-type activities, we can see that the governmental activities experienced a deficit, of approximately \$37,000. The business-type activity has experienced a \$229,000 increase in net assets. This is primarily because of an operating surplus in the Sewer Service Fund. The majority of this surplus was the result of the infrastructure improvement project which has improved efficiency of the system resulting in decreased spending cost.

The following table reflects the condensed Statement of Net Assets for the years ended June 30, 2005 and 2004:

Table 1
Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
ASSETS						
Current and other assets	\$ 1,742,511	\$ 2,139,207	\$ 1,447,257	\$ 1,850,783	\$ 3,189,768	\$ 3,989,990
Capital assets	4,256,624	4,252,749	2,377,898	2,056,262	6,634,522	6,309,011
Total assets	\$ 5,999,135	\$ 6,391,956	\$ 3,825,155	\$ 3,907,045	\$ 9,824,290	\$10,299,001
LIABILITIES AND NET ASSETS						
Current and other liabilities	\$ 392,225	\$ 602,819	\$ 148,282	\$ 379,601	\$ 540,507	\$ 982,420
Long term debt outstanding	4,190,000	4,335,000	1,990,000	2,070,000	6,180,000	6,405,000
Total liabilities	\$ 4,582,225	\$ 4,937,819	\$ 2,138,282	\$ 2,449,601	\$ 6,720,507	\$ 7,387,420
Net assets:						
Invested in capital assets, net of related debt	337,608	412,098	307,897	(83,738)	645,505	328,360
Restricted	143,029	65,208			143,029	65,208
Unrestricted	936,273	976,831	1,378,976	1,541,182	2,315,249	2,518,013
Total net assets	\$ 1,416,910	\$ 1,454,137	\$ 1,686,873	\$ 1,457,444	\$ 3,103,783	\$ 2,911,581
Total liabilities and net assets	\$ 5,999,135	\$ 6,391,956	\$ 3,825,155	\$ 3,907,045	\$ 9,824,290	\$10,299,001

CITY OF SYLVAN LAKE, MICHIGAN

June 30, 2005

Unrestricted net assets are net assets that can be used to finance day to day operations. Restricted net assets of the City totaled approximately \$143,000. These net assets have limitations on their use that were imposed by restrictions such as enabling legislation, grant or bond covenants. The investment in capital assets represents the City's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

The following table shows the changes in net assets for the years ended June 30, 2005 and 2004:

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Program revenue:						
Charges for services	\$ 298,469	\$ 233,895	\$ 726,090	\$ 752,114	\$ 1,024,559	\$ 986,009
Operating grants and contributions	122,268	122,366			122,268	122,366
Capital grants and contributions	51,066	51,234			51,066	51,234
General revenue:						
Property taxes	1,184,539	1,089,043	166,804	158,517	1,351,343	1,247,560
State shared revenue	151,423	154,074			151,423	154,074
Interest income	41,318	32,449	28,103	15,409	69,421	47,858
Franchise fees	22,127	20,787			22,127	20,787
Miscellaneous	6,470	6,706			6,470	6,706
Sale of fixed assets	2,681	7,664			2,681	7,664
Transfer	(3,326)		3,326			
Total revenue	\$ 1,877,035	\$ 1,718,218	\$ 924,323	\$ 926,040	\$ 2,801,358	\$ 2,644,258
Program expenses:						
General government	228,518	231,058			228,518	231,058
Public safety	762,042	698,792			762,042	698,792
Public works	627,491	399,731			627,491	399,731
Community and economic development	29,272	19,053			29,272	19,053
Recreation and culture	101,570	107,826			101,570	107,826
Interest on long term debt	165,368	181,648			165,368	181,648
Sewer and water			683,543	613,885	683,543	613,885
Recreational vehicle storage			11,351	9,217	11,351	9,217
Total program expenses	\$ 1,914,261	\$ 1,638,108	\$ 694,894	\$ 623,102	\$ 2,609,155	\$ 2,261,210
Increase (decrease) in net assets	\$ (37,226)	\$ 80,110	\$ 229,429	\$ 302,938	\$ 192,203	\$ 383,048
Net assets - beginning of year	1,454,136	1,374,026	1,457,444	1,154,506	2,911,580	2,528,532
Net assets - end of year	\$ 1,416,910	\$ 1,454,136	\$ 1,686,873	\$ 1,457,444	\$ 3,103,783	\$ 2,911,580

As shown in the above table total revenues were approximately \$2.8 million, of which 48% was obtained from property taxes, 37% for fees charged for services and 5% for state shared revenues. Total expenses were approximately \$2.6 million, of which 26% was for sewer and water operations, 29% for public safety and 24% for public works.

Business Type Activities

The City's business-type activities consists of the Sewer and Water Operation Funds and Recreational Vehicle Storage Fund. The City provides sewer service to 829 customers and water service to 827 customers. During the year the City constructed Sewer and Water System improvements of \$120,230 and \$89,523, respectively.

June 30, 2005

The City Funds

The analysis of the City's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2005 include the General Fund, Major Road Fund, Local Road Fund, Garbage and Rubbish Collection Fund, Street Drainage Debt Fund and the Street Drainage Capital Project Fund.

The General Fund is the main operating fund of the City. Total revenues for the year were approximately \$1,220,000. Of this revenue, 55% was from property taxes, 20% was from charges for services and 13% was from state shared revenues. Total expenditures for the year were approximately \$1,221,000. Of these expenditures, 47% was for public safety and 14% was for general government. At June 30, 2005 the unreserved fund balance of \$497,739 represented 41% of the total General Fund expenditures for the year.

The Major Road Fund accounts for the repairs, maintenance and construction of all City major streets. The fund balance of this fund at June 30, 2005 was \$162,911.

The Local Road Fund accounts for repairs, maintenance and construction of all City local streets. The fund balance of this fund at June 30, 2005 was \$107,971.

The Garbage and Rubbish Collection fund accounts for the collection for garbage and rubbish within the City. The fund balance of this fund at June 30, 2005 was \$151,597.

The Street and Drainage Debt Service Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs associated with the construction of City streets and drains. The fund balance of this fund at June 30, 2005 was \$8,687.

The Street and Drainage Capital Project Fund is a capital project fund used to account for financial resources such as bond proceeds and other revenue necessary for the purpose of construction City street and drains. The fund balance of this fund at June 30, 2005 was \$415,984.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. Charges for services revenue was amended to reflect the administration services provided for capital projects. Contribution revenue was adjusted to reflect revenues from various fund raising activities. Public works salaries were amended to reflect the labor cost associated with capital project administrations.

City departments overall stayed below budget, resulting in total expenditures \$33,954 below budget. In addition, actual revenue exceeded budgeted amounts by \$30,126. This resulted in the General Fund's use of prior year fund balance of approximately \$1,000 compared to more than \$60,000 budgeted.

Capital Asset and Debt Administration

At the end of June 30, 2005, the City had \$6,634,522 invested in a broad range of capital assets (net of accumulated depreciation), including buildings, equipment, roads, and water and sewer lines.

During the year, the City spent \$221,984 on the major and local streets construction project which started prior to 2004.

Other major expenditures for capital asset during the year included the following:

1. Sewer System improvements - \$120,230;
2. Water System improvements - \$89,523;
3. Water meters and reading equipment - \$91,735.

Long-Term Debt

The City's total indebtedness at June 30, 2005 was \$6,405,000. No new debt was issued during the current fiscal year. The City maintains a "A+" rating from Standard & Poor's. Additional information on the City's long-term debt can be found in Note F.

CITY OF SYLVAN LAKE, MICHIGAN

June 30, 2005

Economic Factors and Next Year's Budgets and Rates

The City's 2006 budget was prepared using various economic factors as follows:

Revenues:

Property tax rates for 2006 are as follows:

	<u>2005/06</u>	<u>2004/05</u>
Operating:		
General operating	6.9386	7.0876
Garbage and rubbish	2.0814	2.1261
Library	0.2264	0.2313
Community promotion		
economic development	<u>0.5396</u>	
	9.7860 mills	9.4450 mills
Debt services	<u>5.1968</u>	<u>5.3124</u>
Total	<u>14.9828</u> mills	<u>14.7574</u> mills

State shared revenues are expected to slightly decrease compared to 2005 but still below historical amounts.

Interest rates have recovered slightly but continue to be low resulting in low income on investments.

City Council has been studying the effect of the Headlee Amendment on millage rates and the budget.

Expenditures:

The police department expects increased payroll and fuel costs.

Fire protection has been adjusted to reflect cost increases.

Planning Commission continues work on the Master Plan update.

The 2006 General Fund budget expects a deficit of approximately \$66,900. Accordingly, the City is planning on using some of the prior years accumulated reserves. The projected General Fund's fund balance at June 30, 2006 is approximately \$499,900 which represents approximated 40% of the General Fund expenditures for the year.

Request for Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the Clerk's Office, at the City of Sylvan Lake, 1820 Inverness Avenue, Sylvan Lake, Michigan 48320.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activity	Total
ASSETS			
Cash and investments	\$ 1,589,278	\$ 1,284,674	\$ 2,873,952
Receivables:	11,539		11,539
Taxes		163,596	163,596
Customers	5,125	5,355	10,481
Interest	46,644		46,644
Agency Funds	6,730		6,730
Other			
Due from other governments	54,427		54,427
Internal balances	6,368	(6,368)	
Prepaid and other assets	9,179		9,179
Restricted assets - cash and cash equivalents	13,220		13,220
Capital assets, net:	3,939,908	2,377,898	6,317,806
Depreciable	316,716		316,716
Nondepreciable			
Total assets	<u>\$ 5,999,135</u>	<u>\$ 3,825,155</u>	<u>\$ 9,824,290</u>
LIABILITIES AND NET ASSETS			
Liabilities:	\$ 153,562	\$ 44,615	\$ 198,177
Accounts payable	15,362		15,362
Accrued wages	40,934	23,667	64,601
Accrued interest	36		36
Due to other governments	37,330		37,330
Compensated absences			
Noncurrent liabilities:	145,000	80,000	225,000
Due within one year	4,190,000	1,990,000	6,180,000
Due in more than one year			
Total liabilities	\$ 4,582,224	\$ 2,138,282	\$ 6,720,506
Net assets:	337,608	307,898	645,505
Invested in capital assets, net of related debt			
Restricted for:	83,164		83,164
Capital projects	59,865		59,865
Other			
Unrestricted	936,274	1,378,976	2,315,249
Total net assets	<u>\$ 1,416,910</u>	<u>\$ 1,686,873</u>	<u>\$ 3,103,783</u>
Total liabilities and net assets	<u>\$ 5,999,135</u>	<u>\$ 3,825,155</u>	<u>\$ 9,824,290</u>

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 228,519	\$ 179,978	\$ 6,897	\$
Public safety	762,042	70,885	114,440	
Public works	627,491		856	
Community and economic development	29,272		75	51,066
Recreation and culture	101,570	47,605		
Interest on long term debt	165,368			
Total governmental activities	\$ 1,914,261	\$ 298,468	\$ 122,268	\$ 51,066
Business-type activity:				
Sewer	\$ 383,172	\$ 459,388	\$	\$
Water	300,371	253,502		
Recreational vehicle storage	11,351	13,200		
Total business-type activities	\$ 694,894	\$ 726,091	\$	\$
Total primary government	\$ 2,609,155	\$ 1,024,559	\$ 122,268	\$ 51,066

General revenues:

Property taxes	
State shared revenues	
Interest income	
Franchise fees	
Miscellaneous	
Special item - sale of fixed assets	
Transfer	

Total general revenues, special items and transfers .

Changes in net assets

Net assets - July 1, 2004

Net assets - June 30, 2005.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (48,541)	\$	\$ (48,541)
(684,259)		(684,259)
(513,051)		(513,051)
(28,416)		(28,416)
(2,824)		(2,824)
(165,368)		(165,368)
<u>\$ (1,442,459)</u>	<u>\$</u>	<u>\$ (1,442,459)</u>
\$	\$ 76,216	76,216
	(46,869)	(46,869)
	1,849	1,849
<u>\$</u>	<u>\$ 31,197</u>	<u>31,197</u>
\$ (1,442,459)	\$ 31,197	\$ (1,411,262)
1,184,539	166,804	1,351,343
151,423		151,423
41,318	28,103	69,421
22,127		22,127
6,470		6,470
2,681		2,681
(3,326)	3,326	
<u>\$ 1,405,233</u>	<u>\$ 198,233</u>	<u>\$ 1,603,466</u>
\$ (37,226)	\$ 229,429	\$ 192,204
1,454,136	1,457,444	2,911,580
<u>\$ 1,416,910</u>	<u>\$ 1,686,873</u>	<u>\$ 3,103,783</u>

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2005

	General	Major Road Fund	Local Road Fund	Garbage and Rubbish Collection Fund	Street and Drainage Debt Fund
ASSETS					
Cash and investments.	\$ 463,453	\$ 143,134	\$ 101,583	\$ 160,155	\$ 11,187
Receivables:					
Taxes	11,539				
Interest	5,125				
Other	6,730				
Due from other funds.	77,200	7,914	4,110	2,127	
Due from other governments.	35,888	12,253	6,286		
Prepaid and other assets.	9,179				
Total assets.	<u>\$ 609,115</u>	<u>\$ 163,301</u>	<u>\$ 111,978</u>	<u>\$ 162,281</u>	<u>\$ 11,187</u>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable.	\$ 19,148	\$ 390	\$ 67	\$ 10,685	\$
Accrued salaries and wages.	12,775				
Due to other funds.	10,409		3,940		2,500
Due to other governments.					
Total liabilities.	<u>\$ 42,332</u>	<u>\$ 390</u>	<u>\$ 4,007</u>	<u>\$ 10,685</u>	<u>\$ 2,500</u>
Fund equity:					
Fund balances:					
Reserved:					
Prepaid expenses.	9,179				
Other	59,865				
Unreserved, reported in:					
General Fund.	497,739				
Special Revenue Funds		162,911	107,971	151,597	
Debt service.					8,687
Capital Project Funds					
Total fund equity.	<u>\$ 566,783</u>	<u>\$ 162,911</u>	<u>\$ 107,971</u>	<u>\$ 151,597</u>	<u>\$ 8,687</u>
Total liabilities and fund equity.	<u>\$ 609,115</u>	<u>\$ 163,301</u>	<u>\$ 111,978</u>	<u>\$ 162,281</u>	<u>\$ 11,187</u>

Street and Drainage Capital Project Fund	Non-Major Governmental Funds	Governmental Funds
\$ 557,149	\$ 120,702	\$ 1,557,362
		11,539
		5,125
		6,730
	198	91,549
		54,427
		9,179
<u>\$ 557,149</u>	<u>\$ 120,900</u>	<u>\$ 1,735,911</u>
\$ 123,272	\$	\$ 153,562
	2,588	15,362
17,893	6,320	41,061
	36	36
<u>\$ 141,165</u>	<u>\$ 8,943</u>	<u>\$ 210,021</u>
		9,179
		59,865
		497,739
	15,372	437,851
	13,421	22,108
415,984	83,164	499,148
<u>\$ 415,984</u>	<u>\$ 111,957</u>	<u>\$ 1,525,689</u>
<u>\$ 557,149</u>	<u>\$ 120,900</u>	<u>\$ 1,735,911</u>

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2005

Total governmental fund balances.		\$ 1,525,889
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in government activities are not financial resources, and are not reported in the governmental funds:		
Governmental capital assets	\$ 4,817,492	
Less accumulated depreciation	<u>(569,604)</u>	4,247,887
Long-term liabilities, including compensated absences, are not due and payable in the current period and are not reported in the funds including related accrued interest.		
		(4,413,264)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in the statement of net assets		
		<u>56,398</u>
Net assets of governmental activities		<u><u>\$ 1,416,910</u></u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2005

	General	Major Road Fund	Local Road Fund	Garbage and Rubbish Collection Fund	Street and Drainage Debt Fund
Revenues:					
Taxes	\$ 673,467	\$	\$	\$ 187,925	\$ 254,292
Licenses and permits	3,470				
Federal sources	856				
State sources	159,029	75,753	32,353	907	
Charges for services	241,842		1,052		
Fines and forfeitures	18,426				
Interest earnings	9,937	4,551	2,713	5,635	777
Other	112,788				
Total revenues	\$ 1,219,815	\$ 80,304	\$ 36,117	\$ 194,467	\$ 255,069
Expenditures:					
Current:					
General government	167,511				
Public safety	571,273				
Public works	127,429	44,025	30,017	200,795	
Community and economic development	29,272				
Recreation and culture	64,216				
Other	243,094				
Capital outlay	17,390	65,485	156,499		
Debt service:					
Principal payments					95,000
Interest and fiscal charges					154,003
Total expenditures	\$ 1,220,186	\$ 109,511	\$ 186,516	\$ 200,795	\$ 249,003
Excess of revenues over (under) expenditures	\$ (371)	\$ (29,206)	\$ (150,399)	\$ (6,328)	\$ 6,067
Other financing sources (uses):					
Operating transfers in		65,485	175,437		
Operating transfers out	(656)	(18,938)			
Total other financing sources (uses)	\$ (656)	\$ 46,547	\$ 175,437	\$	\$
Excess of revenues and other sources over (under) expenditures and other uses	\$ (1,027)	\$ 17,341	\$ 25,038	\$ (6,328)	\$ 6,067
Fund balance - July 1, 2004	567,811	145,670	82,933	157,924	2,620
Fund balance - June 30, 2005	\$ 566,783	\$ 162,911	\$ 107,971	\$ 151,597	\$ 8,687

Street and Drainage Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 68,855	\$ 1,184,539
	38,149	41,618
		856
	99	268,141
		242,894
		18,426
13,619	2,686	39,918
		112,788
\$ 13,619	\$ 109,788	\$ 1,909,180
		167,511
	39,193	610,466
	2,105	404,372
		29,272
	20,557	84,773
		243,094
		239,374
	35,000	130,000
	12,371	166,374
\$	\$ 109,225	\$ 2,075,235
\$ 13,619	\$ 563	\$ (166,054)
	656	241,579
(221,984)	(3,326)	(244,905)
\$ (221,984)	\$ (2,670)	\$ (3,326)
\$ (208,365)	\$ (2,107)	\$ (169,381)
624,349	114,064	1,695,270
\$ 415,984	\$ 111,957	\$ 1,525,889

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2005

Net change in fund balances - total governmental fund		\$ (169,381)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Expenditures for capital assets	\$ 239,374	
Current year depreciation	(232,203)	7,171
Governmental funds only report disposal of assets to the extent proceeds are received from the sale; in the statement of activities, a gain or loss is reported for each disposal		(1,444)
Accrued interest is recorded in the statement of activities		1,006
Repayment of bond principal is an expenditure in governmental funds, but not in the statement of activities (where it reduces long-term debt)		130,000
(Increase) in accumulated employee vacation and sick pay are recorded when earned in the statement of activity		(709)
Internal service fund activity is not reported as part of governmental funds; transactions with organizations outside governmental funds are included in the statement of activities		(3,869)
Change in net assets of governmental activities		<u>\$ (37,226)</u>

JANZ & KNIGHT, P.L.C.: CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2005

	Business-type Activities				Governmental Activity- Internal Service Fund
	Sewer Service Fund	Water Revenue Fund	Recreational Vehicle Storage (Other Nonmajor Enterprise Fund)	Total	
ASSETS					
Cash and investments.	\$ 592,325	\$ 663,785	\$ 28,564	\$ 1,284,674	\$ 45,136
Receivables:					
Customers	103,818	59,778		163,596	
Interest.		5,355		5,355	
Due from other funds.	2,921	5,695		8,616	2,525
Building and improvements			11,047	11,047	57,042
Accumulated depreciation.			(11,047)	(11,047)	(48,306)
Machinery and equipment	1,569,818	1,428,259		2,998,077	
Accumulated depreciation.	(257,247)	(362,933)		(620,179)	
Total assets.	<u>\$ 2,011,635</u>	<u>\$ 1,799,940</u>	<u>\$ 28,564</u>	<u>\$ 3,840,140</u>	<u>\$ 56,398</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable.	\$ 15,934	\$ 28,535	\$ 146	\$ 44,615	\$
Accrued interest.	13,566	10,101		23,667	
Due to other funds.	5,940	5,615	3,430	14,984	
Current portion of long-term debt	45,856	34,144		80,000	
Total current liabilities	\$ 81,296	\$ 78,395	\$ 3,575	\$ 163,266	\$
Long-term debt - net of current portion	1,140,668	849,332		1,990,000	
Total liabilities	\$ 1,221,964	\$ 927,727	\$ 3,575	\$ 2,153,266	\$
Net assets:					
Invested in capital assets.	126,047	181,851		307,898	
Unrestricted.	663,624	690,362	24,989	1,378,976	56,398
Total net assets.	<u>\$ 789,671</u>	<u>\$ 872,213</u>	<u>\$ 24,989</u>	<u>\$ 1,686,873</u>	<u>\$ 56,398</u>
Total liabilities and net assets.	<u>\$ 2,011,635</u>	<u>\$ 1,799,940</u>	<u>\$ 28,564</u>	<u>\$ 3,840,140</u>	<u>\$ 56,398</u>

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the Year Ended June 30, 2005

	Business-type Activities				Governmental Activity- Internal Service Fund
	Sewer Service Fund	Water Revenue Fund	Recreational Vehicle Storage (Other Nonmajor Enterprise Fund)	Combined Total	
Operating revenues:					
Charges for services	\$ 451,997	\$ 248,908	\$ 13,200	\$ 714,105	\$ 5,050
Penalties	7,391	4,595		11,986	
Total operating revenue	\$ 459,388	\$ 253,502	\$ 13,200	\$ 726,091	\$ 5,050
Operating expenses:					
Contractual services	220,028	137,249		357,277	
Utilities	677	1,565	324	2,566	4,483
Administrative charges	15,000	19,500		34,500	
Salaries and benefits	33,327	35,476	3,565	72,368	
Repairs and maintenance	13,093	18,107	172	31,372	3,984
Insurance	4,420	4,420		8,840	
Professional services	2,200	3,757		5,957	
Municipal garage rental	850	850		1,700	
Equipment rental	2,312	1,920		4,232	
Depreciation	38,232	33,669		69,901	1,853
Printing and miscellaneous	190	3,015	7,290	10,495	
Total operating expenses	\$ 328,330	\$ 259,527	\$ 11,351	\$ 599,208	\$ 10,319
Operating income (loss)	\$ 131,059	\$ (6,025)	\$ 1,849	\$ 126,883	\$ (5,269)
Nonoperating revenue (expense):					
Interest earnings	16,550	10,535	1,018	28,103	1,400
Interest expense	(54,685)	(40,718)		(95,403)	
Debt service charges	95,612	71,192		166,804	
Other	(158)	(126)		(284)	
Total nonoperating revenue	\$ 57,319	\$ 40,882	\$ 1,018	\$ 99,220	\$ 1,400
Income (loss) before transfers	\$ 188,378	\$ 34,858	\$ 2,868	\$ 226,103	\$ (3,869)
Transfers	1,906	1,420		3,326	
Change in net assets	\$ 190,285	\$ 36,277	\$ 2,868	\$ 229,429	\$ (3,869)
Net assets - July 1, 2004	599,387	835,936	22,121	1,457,444	60,267
Net assets - June 30, 2005	\$ 789,671	\$ 872,213	\$ 24,989	\$ 1,686,873	\$ 56,398

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2005

	Business- type Activities			
			Recreational Vehicle Storage (Other Nonmajor Enterprise Fund)	Combined Total
	Sewer Service Fund	Water Revenue Fund		
Cash flows from operating activities:				
Receipts from customers	\$ 463,441	\$ 246,689	\$ 15,725	\$ 725,855
Payments to suppliers	(461,655)	(203,838)	(742)	(666,235)
Payments to employees	(25,521)	(27,182)	(2,718)	(55,422)
Payments for internal services used	(17,256)	(27,483)	(10,935)	(55,673)
Net cash provided by (used in) operating activities	\$ (40,990)	\$ (11,814)	\$ 1,329	\$ (51,474)
Cash flows from nonoperating financing activities:				
Capital contribution	1,906	1,420		3,326
Cash flows from capital and related financing activities:				
Collection of debt service charges	95,612	71,192		166,804
Purchase of capital assets	(211,966)	(179,581)		(391,546)
Principal and interest paid on capital debt	(95,388)	(71,025)		(166,413)
Net cash (used in) capital and related financing activities	\$ (211,741)	\$ (179,414)	\$	\$ (391,155)
Cash flows from investing activities:				
Interest income	16,599	10,337	1,018	27,954
Net increase (decrease) in cash	\$ (234,226)	\$ (179,471)	\$ 2,348	\$ (411,348)
Cash and cash equivalents - July 1, 2004	826,551	843,256	26,217	1,696,023
Cash and cash equivalents - June 30, 2005	\$ 592,325	\$ 663,785	\$ 28,564	\$ 1,284,675
Operating activities:				
Operating income (loss)	\$ 131,059	\$ (6,025)	\$ 1,849	\$ 126,883
Adjustments to reconcile operating loss to cash provided (used) by operating activities:				
Depreciation	36,232	33,669		69,901
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	4,053	(6,813)		(2,760)
Increase (decrease) in accounts payable	(212,590)	(26,724)	146	(239,168)
Increase (decrease) in accrued wages	(650)	(708)	(58)	(1,416)
Increase (decrease) in due to other funds	906	(5,213)	(608)	(4,914)
Net cash provided by (used in) operating activities	\$ (40,990)	\$ (11,814)	\$ 1,329	\$ (51,474)

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF NET ASSETS
FIDUCIARY FUND

June 30, 2005

Escrow
Fund

ASSETS

Cash and investments	\$ 122,701
Total assets	<u>\$ 122,701</u>

LIABILITIES

Accounts payable	\$ 76,056
Due to other funds	<u>46,644</u>
Total liabilities	<u>\$ 122,701</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A - Summary of Significant Accounting Policies

The accounting policies of the City of Sylvan Lake conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Sylvan Lake.

Reporting Entity

The City of Sylvan Lake is governed by an elected five-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual--that is, when they become both measurable and available to finance expenditures of the period. Property taxes, state-shared revenue, interest, reimbursement grants, and charges for services are considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE A - Summary of Significant Accounting Policies (continued)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services, such as water and sewer distribution and collection, and recreational vehicle storage in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and the unrestricted resources as they are needed.

Governmental Funds:

The City reports the following major governmental funds:

General Fund

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Road Fund

The Major Road Fund is a special revenue fund used to account for the resources obtained through state gas and weight revenues that are restricted for use on major roads.

Local Road Fund

The Local Road Fund is a special revenue fund used to account for the resources obtained through state gas and weight revenues that are restricted for use on local roads.

Garbage and Rubbish Collection Fund

The Garbage and Rubbish Collection Fund is a special revenue fund used to account for the resources obtained through property taxes that are restricted for collection of garbage and rubbish.

Street and Drainage Debt Fund

The Street and Drainage Debt Fund is a debt service fund used to account for accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs associated with the construction of City streets and drains.

Street and Drainage Capital Project

The Street and Drainage Capital Project is a capital project fund used to account for financial resources such as proceeds of bond issue and other revenue necessary for the purpose of constructing City streets and drains.

Additionally, the City reports the following fund types:

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust funds).

CITY OF SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE A - Summary of Significant Accounting Policies (continued)Proprietary Fund

The City reports the following major proprietary funds:

Water Revenue Fund

The Water Revenue Fund accounts for the operation, maintenance and distribution of the water system.

Sewer Service Fund

The Sewer Service Fund accounts for the operation, maintenance and collection of the sewer system.

Internal Service Fund

The City's only internal service fund is the Municipal Garage Fund. This fund accounts for the costs of maintaining automotive equipment used by various City departments. Costs are billed to the departments for labor and materials at actual cost with the elimination of the effect of internal service fund activity adjusted to break even.

Fiduciary FundsAgency Fund

The Escrow Fund is used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Property Taxes

The City of Sylvan Lake property tax is levied on July 1 on the taxable valuation of property (as defined by State statutes) located in the City of Sylvan Lake as of the preceding December 31st.

The City has a fiscal year beginning July 1 and ending June 30. Properties are assessed as of December 31 and the related property taxes are billed and become a lien on July 1 of the following year. These taxes are due without penalty during the period July 1 through August 31 with the final collection date of February 28. Delinquent real property taxes are purchased by Oakland County from the City, and accordingly are recognized as revenue in the current year.

The 2004 taxable valuation of the City of Sylvan Lake totaled \$88,389,681 and is used for the July 1, 2004 tax bills; this resulted in property tax revenue as follows:

<u>Purpose</u>	<u>Mills Levied</u>	<u>Approximate Revenue</u>
City operating millage	7.0875	\$ 626,000
Fire bond retirement	.5388	48,000
Library operations	.2313	20,000
Water/sewer infrastructure bond retirement	1.8872	167,000
Sanitation operations	2.1261	188,000
Street and drainage bond retirement	2.8770	254,000
Lake level operations	.0094	800

Assets, Liabilities, and Net Assets or EquityCash and Investments

Deposits are carried at cost and consist of cash on hand, checking accounts, and investments in short-term investments, generally pooled investment funds. The carrying value of deposits, which includes certificates of deposit, is separately displayed on the balance sheet as "cash and investments".

For purposes of the Statement of Cash Flows, the propriety funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE A - Summary of Significant Accounting Policies (continued)Interfund Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Receivables

All trade and property tax receivables are considered fully collectible by the City. No provision has been made in the financial statements for noncollection.

Prepaid Items

Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain donations have been placed in the Escrow Fund until the designated funds are spent. These amounts have been classified as restricted assets.

Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, vehicles, machinery, equipment and infrastructure are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of year than most capital assets.

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the assets. Assets are depreciated on an individual basis for equipment and buildings.

Depreciation of all exhaustible fixed assets used by propriety fund types is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund type balance sheets. Depreciation has been provided over the estimated useful lives.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Water System	34-61.2
Buildings and Improvements	25-50
Vehicles	5-10
Furniture and Equipment	5-20
Sewer System	20-50
Roads	20

Compensated Absences (Sick Leave)

Sick pay earned are recognized in the governmental financial statements when they are paid. The long-term portion of compensated absences related to governmental funds is a liability recorded in the Statement of Net Assets.

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets.

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE A - Summary of Significant Accounting Policies (continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance present tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Rounding

For financial statements purposes, amounts are rounded to the nearest dollar. Combining non-rounded amounts may result in minor report differences.

NOTE B - Expenditures Over Budget

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at year end. The City's appropriation resolution is generally passed during the May preceding the year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The City Manager has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next year.

The budget document presents information by fund, function, department and line items. The legal level (the level at which expenditures may not legally exceed appropriations) of budgetary control adopted by the board is at the department (activity) level.

The City Council must approve budget amendments at the activity level and supplemental appropriations, which affect total fund expenditures. The City Manager can transfer appropriations between line items within a department or activity without governing body approval.

Supplemental appropriations were necessary during the year, which increased total expenditures.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

P.A. 2 of 1968 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City of Sylvan Lake incurred expenditures in certain budgeted funds which were significantly in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Activity</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Budget Variance</u>
General	Police department	\$ 345,739	\$ 363,689	\$ 17,950
General	Public works	107,400	111,409	4,009
General	Employee benefits	191,119	222,817	31,698
Major Road	Construction		65,485	65,485*
Local Road	Construction		156,499	156,499*

*Construction expenditure budgeted in capital project fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE C - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City has designated various banks for the deposit of City funds. The treasurer maintains a list of approved banks. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CDs, repurchase agreements, investment pools organized under the local government investment pool act, commercial paper rated within the two highest classifications, and bankers' acceptance of United States banks, but not the remainder of State statutory authority as listed above.

The City's cash deposits are in accordance with statutory authority and the investment policy of the City. The balance sheet caption "cash" includes imprest cash of \$300, cash deposits and investments. At the end of the year, the carrying amount of the City's deposits were \$2,166,235 (reconciled), unreconciled bank balance was \$2,225,026, of the deposits \$500,000 were covered by federal depository insurance. Cash deposits are not collateralized.

During the period of tax collection (July-February), cash deposits held by the City may significantly exceed the amounts as of the balance sheet date.

At year-end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	\$ 1,589,278	\$ 1,284,674	\$ 122,701	\$ 2,996,653
Restricted Assets	<u>13,220</u>			<u>13,220</u>
Total	<u>\$ 1,602,498</u>	<u>\$ 1,284,674</u>	<u>\$ 122,701</u>	<u>\$ 3,009,873</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 2,166,235
Investments in Securities, Mutual Funds and Similar Vehicles	843,338
Petty Cash and Cash on Hand	<u>300</u>
Total	<u>\$ 3,009,873</u>

At year-end, the government's investment balances were categorized as follows:

Investment Not Subject to Categorization:	
MBIA Michigan Class Investment Pool	\$ 721,342
Money Market Fund	<u>121,996</u>
Total Primary Government	<u>\$ 843,338</u>

The Money Market Fund and MBIA Michigan Class Investing pool are not categorized because they are not evidenced by securities that are in physical or book entry form. Investments under the interlocal agreement (MBIA-CLASS) are regulated by the Urban Cooperation Act. The fair value of the position in the Money Market Fund and interlocal agreement pools is the same as the value of the pool and fund shares. Management believes that the investments of the City comply with the investment authority as noted above, and the investment policy of the City.

Restrictions

Reflected on the balance sheet are restricted cash and investments detailed as follows:

<u>General Fund</u>	
Cash and cash equivalents:	
Deposits	<u>\$13,220</u>

The assets of the General Fund are restricted for various special projects.

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE D - Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 316,716	\$	\$	\$ 316,716
Capital Assets Being Depreciated:				
Roads	3,618,383	221,984		3,840,367
Buildings and improvements	353,682		18,236	335,446
Vehicles	246,749	17,390	21,657	242,482
Furniture and equipment	167,187		27,664	139,523
Subtotal	\$ 4,386,001	\$ 239,374	\$ 67,557	\$ 4,557,818
Less Accumulated Depreciation for:				
Roads	15,077	180,919		195,996
Buildings and improvements	191,609	10,146	18,236	183,519
Vehicles	149,065	29,891	20,214	158,742
Furniture and equipment	94,217	13,100	27,664	79,653
Subtotal	\$ 449,968	\$ 234,056	\$ 66,114	\$ 617,910
Net Capital Assets Being Depreciated	\$ 3,936,033	\$ 5,318	\$ 1,443	\$ 3,939,908
Net Capital Assets	\$ 4,252,749	\$ 5,318	\$ 1,443	\$ 4,256,624
Business-Type Activities:				
Capital Assets Being Depreciated:				
Improvements	\$ 11,047	\$	\$	\$ 11,047
Vehicle	15,449	21,753	15,449	21,753
Machinery and equipment	154,961	160,039	1,771	313,229
Sewer system	1,218,957	120,230		1,339,187
Water system	1,234,384	89,523		1,323,907
Subtotal	\$ 2,634,798	\$ 391,545	\$ 17,220	\$ 3,009,123
Less Accumulated Depreciation for:				
Improvements	11,047			11,047
Vehicles	15,449	3,263	15,449	3,263
Machinery and equipment	64,257	7,035	1,762	69,530
Sewer system	166,078	30,130		196,208
Water system	321,705	29,474		351,179
Subtotal	\$ 578,536	\$ 69,902	\$ 17,211	\$ 631,227
Net Capital Assets Being Depreciated	\$ 2,056,262	\$ 321,643	\$ 9	\$ 2,377,896
Net Capital Assets	\$ 2,056,262	\$ 321,643	\$ 9	\$ 2,377,896

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 2,690
Public Safety	12,918
Public Works	205,863
Recreation and Culture	10,732
Other	1,853
Total Governmental Activities	\$234,056
Business-Type Activities:	
Water and Sewer	\$ 69,902

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE D - Capital Assets (continued)

Construction Commitments

The government has an active street and drainage project. At year-end the government's commitment for the contract is as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Sewer and drainage	\$ 2,507,182	\$ 220,000

NOTE E - Interfund Receivables, Payables and Transfers

The following are the interfund receivables at June 30, 2005:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Total</u>
General Fund	Building Department Fund	\$ 6,162
	Rails to Trails Fund	158
	Street and Drainage Debt Fund	2,500
	Street and Drainage Capital Project Fund	12,797
	Sewer Service Fund	2,420
	Water Revenue Fund	5,615
	Recreational Vehicle Storage Fund	905
	Fiduciary Fund	<u>46,644</u>
	Total General Fund	\$ 77,201
Special Revenue Funds:		
Major Street Fund	General Fund	3,974
	Local Road Fund	<u>3,940</u>
		\$ 7,914
Local Road Fund	General Fund	4,110
Garbage and Rubbish Collection Fund	General Fund	2,127
Library Fund	General Fund	<u>198</u>
	Total Special Revenue Funds	\$ 14,349
Proprietary Funds:		
Sewer Service Fund	Street and Drainage Capital Project Fund	2,921
Water Revenue Fund	Street and Drainage Capital Project Fund	2,175
	Sewer Service Fund	<u>3,520</u>
		\$ 5,695
Municipal Garage Fund	Recreational Vehicle Storage Fund	<u>2,525</u>
	Total Proprietary Funds	\$ 11,141
	Total interfund receivable	<u>\$102,691</u>

These balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE E - Interfund Receivables, Payables and Transfers (continued)Interfund Transfers

Transfers In	Transfers (Out)				Total
	General Fund	Major Road Fund	Water Supply System Bonds Debt Retirement Fund	Street and Drainage Capital Project Fund	
Major Road Fund	\$	\$	\$	\$ 65,485	\$ 65,485
Local Road Fund		18,938		156,499	175,437
Building Department Fund	650				650
Rails to Trails Fund	6				6
Sewer Service Fund			1,906		1,906
Water Refund Fund			1,420		1,420
	<u>\$ 656</u>	<u>\$ 18,938</u>	<u>\$ 3,326</u>	<u>\$ 221,984</u>	<u>\$224,904</u>

Transfers of unrestricted revenues collected in the General Fund and Major Road Fund in accordance with budgetary authorizations. Street and Drainage Capital Project Fund transfers funds for construction project in Road Funds.

NOTE F - Long-Term Debt

The following is a summary of general long-term debt of the City for the year ended June 30, 2005:

	General Obligation Bonds	Compensated Absences	Total
Balance at July 1, 2004	\$4,465,000	\$ 36,621	\$4,501,621
Increase in obligation for compensated absences		709	709
Principal retirements	(130,000)		(130,000)
Balance at June 30, 2005	<u>\$4,335,000</u>	<u>\$ 37,330</u>	<u>\$4,372,330</u>

The following is a summary of long-term debt transactions of the City's Enterprise Funds for the year ended June 30, 2005:

	General Obligation Bonds
Balance at July 1, 2004	\$2,140,000
Principal retirements	(70,000)
Balance at June 30, 2005	<u>\$2,070,000</u>

General Obligations Bonds:

In May 1995, the City of Sylvan Lake sold general obligation bonds in the amount of \$460,000.00 for the purposes of funding their portion of the construction of the Tri-City Fire Building. The bonds were issued with varying rates of interest and dates of maturity and are to be retired through an annual property tax levy. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Interest Rate	Principal	Interest
2006	5.35	\$ 35,000	\$ 10,116
2007	5.40	35,000	8,235
2008	5.40	40,000	6,210
2009	5.40	45,000	3,915
2010	5.40	50,000	1,350
		<u>\$ 205,000</u>	<u>\$ 29,826</u>

CITY OF SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE F - Long-Term Debt (continued)

During August 2001, the City of Sylvan Lake sold general obligation bonds in the amount of \$2,250,000 for the purposes of funding water and sewer infrastructure improvements. The bonds were issued with various rates of interest and dates of maturity and are to be retired through an annual property tax levy. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Interest Rate	Principal	Interest
2006	4.200	\$ 80,000	\$ 92,987
2007	4.200	85,000	89,522
2008	4.200	85,000	85,953
2009	4.300	85,000	82,340
2010	4.375	90,000	78,544
2011	4.400	115,000	74,045
2012	4.500	120,000	68,815
2013	4.500	125,000	63,303
2014	4.500	135,000	57,452
2015	4.600	140,000	51,195
2016	4.750	150,000	44,412
2017	4.750	155,000	37,169
2018	4.750	165,000	29,569
2019	4.750	170,000	21,612
2020	4.750	180,000	13,300
2021	4.750	190,000	4,512
		<u>\$2,070,000</u>	<u>\$ 894,730</u>

During February 2003, the City of Sylvan Lake sold general obligation bonds in the amount of \$4,250,000 for the purposes of funding street and drainage improvements. The bonds were issued with various rates of interest and dates of maturity and are to be retired through an annual property tax levy. Schedule of required principal and interest payment is as follows:

Year ended June 30,	Interest Rate	Principal	Interest
2006	2.30	\$ 110,000	\$ 151,420
2007	2.30	130,000	148,660
2008	2.50	140,000	145,415
2009	2.80	150,000	141,565
2010	3.20	155,000	136,985
2011	3.30	195,000	131,287
2012	3.45	205,000	124,534
2013	3.45	215,000	117,289
2014	3.55	225,000	109,586
2015	3.65	235,000	101,304
2016	3.80	245,000	92,360
2017	3.90	260,000	82,635
2018	4.00	270,000	72,165
2019	4.05	290,000	60,892
2020	4.10	305,000	48,768
2021	4.20	320,000	35,795
2022	4.25	330,000	22,062
2023	4.30	350,000	7,525
		<u>\$4,130,000</u>	<u>\$1,730,247</u>

CITY OF SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE F - Long-Term Debt (continued)Summary of Long-Term Debt Requirements:

The amounts necessary to amortize the debt described above for years subsequent to June 30, 2005 (excluding compensated absences) are as follows:

Year ending June 30,	General Long-Term Debt		Enterprise Funds	
	Principal	Interest	Principal	Interest
2006	\$ 145,000	\$ 161,536	\$ 80,000	\$ 92,987
2007	165,000	156,895	85,000	89,522
2008	180,000	151,625	85,000	85,953
2009	195,000	145,480	85,000	82,340
2010	205,000	138,335	90,000	78,544
2011-2015	1,075,000	584,000	635,000	314,810
2016-2020	1,370,000	356,820	820,000	146,062
2021-2023	1,000,000	65,382	190,000	4,512
	<u>\$4,335,000</u>	<u>\$1,760,073</u>	<u>\$2,070,000</u>	<u>\$ 894,730</u>

NOTE G - Restricted Assets

The balances of the restricted asset accounts are as follows:

General Fund:	
Police training	\$ 788
Park equipment	17,296
Community center	22,251
Memorial park	25
Community promotion	2,504
Police enforcement	749
Public safety	3,031
Road right-of-way	11,190
Public safety - K9	2,031
	<u>\$59,865</u>

NOTE H - Defined Benefit Plan

The City participates in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance; disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. All City full-time employees are eligible to participate in the system. Employees and appointed officials who retire after age 60 with 10 years of credited service are entitled to a retirement benefit, payable for life, equal to 2.0% of their 5-year final average compensation (FAC). Vested employees may retire after age 50 and receive reduced retirement benefits. The system also provides disability benefits to a member who becomes totally and permanently disabled while employed by the City and after acquiring 10 or more years of credited service. The service requirement is waived if the disability is from service connected causes. If a member or vested former member with 10 or more years of service dies in a non-duty related death before retirement, a monthly survivor allowance may be payable. The service requirement is waived in a duty related death. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2004.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at: 447 North Canal Street, Lansing, Michigan 48917.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining unit and personnel policy, which requires employees to contribute to the plan. Each member contributes the following percentage of his/her annual compensation: General - Non-union - 5 percent; Police - 3 percent of the first \$4,200 and 5 percent of the remaining. The City is required to contribute at an actuarially determined rate; the current rate was 3.04 percent for General - Non-union and 0.00 percent for Police.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE H - Defined Benefit Plan (continued)

For the fiscal year ended June 30, 2005, the City's annual pension cost of \$29,869 for the plan was equal to the City's required contribution of \$15,965 and elected contribution of \$13,904 for non-union member contribution. The annual required contribution was determined by an actuarial valuation of the plan as of December 31, 2002. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years for positive unfunded liabilities and 10 years for negative unfunded liabilities. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27

<u>Fiscal Period Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2003	\$ 3,975	100%	\$ -0-
June 30, 2004	8,619	100%	-0-
June 30, 2005	15,965	100%	-0-

Required Supplementary Information for GASB Statement No. 27:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>(Overfunded) Unfunded AAL (UAAL)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/(c)</u>
<u>December 31,</u>	<u>(a)</u>	<u>(b)</u>	<u>(b-a)</u>			
2002	\$ 1,380,407	\$ 1,444,899	\$ 64,492	98.5%	\$470,856	13.7%
2003	1,429,400	1,534,392	104,992	93.2%	444,535	23.6%
2004	1,474,210	1,678,379	204,169	87.8%	427,314	47.8%

NOTE I - Postemployment Benefits

In addition to providing pension benefits, the City has elected to provide postemployment full family health insurance benefits to retirees of the City who retire at age 55 or older with a minimum of 10 years of service. The City pays the full cost of coverage for these benefits from the date of retirement until age 65, or they become eligible for Medicare-Medicaid whichever comes first; at that time, the employer shall provide a plan that supplements Medicare-Medicaid. Retirees age 55 or older with seven to nine years of service are entitled to health insurance for themselves and can purchase coverage for their dependents at the City's group rates. Currently, eight retirees are eligible for postemployment health benefits. During the fiscal year ended June 30, 2005, the City made payments for postemployment health benefit premiums of \$64,234. The City obtains health care coverage through private insurers. The City's cost of retiree health care benefits is recognized as an expense in the year the premium is paid.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE J - Joint Ventures and Related Organization

The City has an agreement with the Tri-City Fire Department for fire protection. The Tri-City Fire Department services the City of Sylvan Lake, the City of Keego Harbor and the City of Orchard Lake Village. The governing body of the Tri-City Fire Department is made up of two members from each city. The fire protection agreement is an annual agreement and can be renewed by the governing bodies of each upon not less than six months notice. Each city is obligated to pay to the Tri-City Fire Department an amount equal to one-third of the total approved annual budget of the Tri-City Fire Department. As of June 30, 2005 the Tri-City Fire Department has a fund surplus. Financial statements of the Tri-City Fire Department are available for review at the fire hall. As included in the General Fund statement of expenditures, during the year ended June 30, 2005 \$194,250 was paid for fire protection to the Tri-City Fire Department.

The City participates in an annual programming grant that Comcast Cable provides. The grant money is paid to West Bloomfield/Tri-Cities Cable Joint Venture Fund, which is under the joint ownership of four communities - the Cities of Orchard Lake Village, Keego Harbor, Sylvan Lake and the Township of West Bloomfield. The money in this fund must be used for the support of community cable programming. The fund is administered by the West Bloomfield Township accounting department. No part of this money is reflected in these financial statements.

Pursuant to agreements with the City of Pontiac and West Bloomfield Township, the City is provided with sewer service. The agreements call for the City to lease sewer capacity from the two municipalities. Funds for operation of the system are provided by initial tap-in fees and sewer disposal service charges to customers.

NOTE K - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The City has purchased commercial insurance for storage tank and health care. The City participates in the Michigan Municipal Risk Management Authority for general, auto, professional, public official, employee dishonesty and errors and omissions liabilities. The City also participates in the Michigan Municipal Workers Compensation Fund for workers compensation. The City is uninsured for acts of god and environmental cleanup losses. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims-servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that will be used to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The Michigan Municipal League Worker's Compensation Fund risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE L - Litigation and Contingent Liabilities

The City receives property taxes levied against real and personal property located in the City pursuant to the General Property Tax Laws of the State of Michigan. A number of entities owning property within the City have appealed their assessments to the Michigan Tax Tribunal. A reduction by the Tax Tribunal of any such assessments would result in a liability to the City to refund some taxes which have been collected. Management believes this liability could be approximately \$25,000, which has not been recorded in the financial statements.

OTHER SUPPLEMENTAL INFORMATION

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Tax collections:				
Current taxes	\$ 625,066	\$ 625,066	\$ 626,469	\$ 1,403
Delinquent taxes	3,400	3,400	823	(2,577)
Administration fee	30,000	30,000	32,440	2,440
Interest and penalties	16,500	16,500	13,736	(2,764)
	<u>\$ 674,966</u>	<u>\$ 674,966</u>	<u>\$ 673,467</u>	<u>\$ (1,499)</u>
Licenses and permits	4,720	4,720	3,470	(1,251)
Federal sources - Community development block grant. . .	5,000	5,000	856	(4,144)
State sources:				
Sales tax	153,063	153,063	148,480	(4,583)
Liquor licenses	1,900	1,900	1,937	37
Law enforcement	600	600	2,671	2,071
Road right of way	750	750	5,282	4,532
Other			659	659
	<u>\$ 156,313</u>	<u>\$ 156,313</u>	<u>\$ 159,029</u>	<u>\$ 2,716</u>
Charges for services:				
Charges for services - sales	600	600	568	(32)
Charges for services - fees	62,000	62,000	57,225	(4,775)
Charges for services - other funds:				
Sewer Service Fund	17,500	17,500	56,653	39,153
Major Road Fund	8,100	8,100	7,908	(192)
Local Road Fund	6,500	6,500	6,565	65
Garbage and Rubbish Collection Fund	8,000	8,000	12,529	4,529
Water Revenue Fund	21,500	21,500	50,714	29,214
Recreational Vehicle Storage Fund	7,290	7,290	7,290	
Street and Drainage Capital Project Fund	8,000	40,000	42,391	2,391
Water/Sewer Infrastructure Capital Project Fund. . .	9,000	51,000		(51,000)
	<u>\$ 148,490</u>	<u>\$ 222,490</u>	<u>\$ 241,842</u>	<u>\$ 19,352</u>
Fines and forfeitures	10,000	10,000	18,426	8,426
Interest earnings	12,000	12,000	9,937	(2,063)
Other revenue:				
Cable TV	16,000	16,000	22,127	6,127
Leases	19,880	19,880	20,790	910
Contributions		45,000	54,633	9,633
Miscellaneous	20,700	23,320	15,237	(8,083)
	<u>\$ 56,580</u>	<u>\$ 104,200</u>	<u>\$ 112,788</u>	<u>\$ 8,588</u>
Total revenues	\$ 1,068,069	\$ 1,189,689	\$ 1,219,815	\$ 30,126

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)

For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
General Government:				
Legislative:				
City council:				
Salaries	\$ 500	\$ 500	\$ 402	\$ 98
Membership and dues	2,700	2,700	2,107	593
Miscellaneous	300	300	119	181
	<u>\$ 3,500</u>	<u>\$ 3,500</u>	<u>\$ 2,628</u>	<u>\$ 872</u>
City Manager:				
Salary	16,307	16,307	10,869	5,438
Conferences and workshops	1,500	1,500	157	1,343
Membership and dues	1,200	1,200	371	829
	<u>\$ 19,007</u>	<u>\$ 19,007</u>	<u>\$ 11,397</u>	<u>\$ 7,610</u>
Elections:				
Salaries	900	3,520	3,086	434
Office supplies	450	450	456	(6)
Equipment	750	750	1,143	(393)
Printing and publishing	1,300	1,300	1,155	145
Miscellaneous	250	250	396	(146)
	<u>\$ 3,650</u>	<u>\$ 6,270</u>	<u>\$ 6,236</u>	<u>\$ 34</u>
Assessor - contracted services	17,874	17,874	15,638	2,236
Attorney	18,500	28,500	26,248	2,252
Audit expense	3,960	16,300	3,760	12,540
Board of Review:				
Salaries	450	450	450	
Miscellaneous	100	100		100
	<u>\$ 550</u>	<u>\$ 550</u>	<u>\$ 450</u>	<u>\$ 100</u>
Clerk-Treasurer:				
Salary	37,492	37,492	37,373	119
Temporary and overtime help	800	800	1,080	(280)
Conferences and workshops	1,100	1,100	1,033	67
Membership and dues	400	400	455	(55)
Codification	1,000	1,000		1,000
	<u>\$ 40,792</u>	<u>\$ 40,792</u>	<u>\$ 39,940</u>	<u>\$ 852</u>
City Hall and grounds:				
Salary	21,905	21,905	24,098	(2,193)
Temporary and overtime help	300	300	111	189
Office supplies and postage	9,000	9,000	6,225	2,775
Tax roll and statement preparation	4,500	4,500	2,137	2,363
Printing and publishing	1,600	1,600	2,143	(543)
Maintenance	5,180	5,180	5,311	(131)
Telephone	7,800	7,800	4,482	3,318
Utilities	4,500	4,500	4,182	318
Repairs	6,500	6,500	2,774	3,726
Miscellaneous	1,000	1,000	651	349
	<u>\$ 62,285</u>	<u>\$ 62,285</u>	<u>\$ 52,115</u>	<u>\$ 10,170</u>

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)

For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Other general services administration activities:				
Office expense:				
Supplies	3,000	3,000	1,495	1,505
Equipment repairs and rental	5,500	5,500	3,932	1,568
Contractual services	4,500	4,500	3,145	1,355
Repairs.	1,000	1,000	526	474
	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 9,098</u>	<u>\$ 4,902</u>
Total general government	\$ 184,118	\$ 209,078	\$ 167,511	\$ 41,567
Public safety:				
Police department:				
Salaries:				
Chief of Police.	59,280	59,280	48,836	10,444
Employees.	180,709	180,709	186,765	(6,056)
Temporary and overtime help.	36,500	40,900	47,364	(6,464)
Gas and Oil.	5,000	5,000	8,397	(3,397)
Uniforms	3,600	3,600	3,960	(360)
Municipal garage rental.	1,250	1,250	1,250	
Training	1,200	1,200	5,120	(3,920)
Radio maintenance and dispatch	36,800	36,800	40,258	(3,458)
Vehicle maintenance.	4,000	4,000	6,737	(2,737)
Conferences, workshops and memberships	200	200		200
Miscellaneous supplies	9,600	9,600	9,759	(159)
Contractual services	3,200	3,200	5,241	(2,041)
	<u>\$ 341,339</u>	<u>\$ 345,739</u>	<u>\$ 363,689</u>	<u>\$ (17,950)</u>
Fire protection:				
Contractual services	194,250	194,250	194,250	
Dispatch agreement	12,000	13,200	13,131	69
	<u>\$ 206,250</u>	<u>\$ 207,450</u>	<u>\$ 207,381</u>	<u>\$ 69</u>
Animal shelter	1,000	1,000	203	798
Total public safety.	\$ 548,589	\$ 554,189	\$ 571,273	\$ (17,084)
Public works:				
Salaries	21,675	92,675	86,710	5,965
Gas and oil.	4,500	4,500	7,119	(2,619)
Repair and maintenance supplies.	4,500	4,500	7,724	(3,224)
Vehicle maintenance.	2,500	2,500	6,986	(4,486)
Radio maintenance	975	975	992	(17)
Municipal garage rental.	1,250	1,250	1,250	
Miscellaneous.	1,000	1,000	628	372
	<u>\$ 36,400</u>	<u>\$ 107,400</u>	<u>\$ 111,409</u>	<u>\$ (4,009)</u>
Street lighting.	18,000	18,000	16,021	1,979
Total public works	\$ 54,400	\$ 125,400	\$ 127,429	\$ (2,029)

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)

For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Community and economic development:				
Planning commission:				
Secretary	300	300	160	140
Contractual services	6,000	6,000	4,970	1,031
Membership and dues	600	600	600	
Printing and publishing	250	250	51	199
Miscellaneous	200	200	76	124
	<u>\$ 7,350</u>	<u>\$ 7,350</u>	<u>\$ 5,856</u>	<u>\$ 1,494</u>
Other:				
CDBG Expenditures	5,000	5,000	2,161	2,839
Cable TV fees	1,000	1,000		1,000
Printing and publishing	4,200	4,200	3,628	572
Postage	2,600	2,600	2,687	(87)
50th Anniversary		12,000	11,302	698
Memorial Day Parade	250	250	369	(119)
Fireworks and miscellaneous	750	750	3,269	(2,519)
	<u>\$ 13,800</u>	<u>\$ 25,800</u>	<u>\$ 23,415</u>	<u>\$ 2,385</u>
Total community and economic development	<u>\$ 21,150</u>	<u>\$ 33,150</u>	<u>\$ 29,272</u>	<u>\$ 3,878</u>
Recreation and culture:				
Parks and recreation:				
Salaries	22,347	22,347	12,500	9,847
Operating supplies and maintenance	13,000	13,000	8,585	4,415
Taxes	7,622	7,622	7,441	181
Contractual services	15,000	15,000	9,087	5,913
Utilities	2,000	2,000	2,133	(133)
Summer program	1,700	1,700	1,538	162
Lake control	10,000	10,000	6,975	3,025
	<u>\$ 71,669</u>	<u>\$ 71,669</u>	<u>\$ 48,259</u>	<u>\$ 23,410</u>
Community Center:				
Salaries	6,675	6,675	3,248	3,427
Maintenance and repair	9,200	9,200	11,302	(2,102)
Utilities	2,500	2,500	2,024	476
Miscellaneous	1,000	1,000	(617)	1,617
	<u>\$ 19,375</u>	<u>\$ 19,375</u>	<u>\$ 15,957</u>	<u>\$ 3,418</u>
Total culture and recreation	<u>\$ 91,044</u>	<u>\$ 91,044</u>	<u>\$ 64,216</u>	<u>\$ 26,828</u>
Other:				
Insurance - General liability	25,160	25,160	20,277	4,883
Employee benefits:				
Retirement contribution (Note 1)			29,869	
Hospitalization			99,263	
Life insurance			5,330	
Other benefits			16,516	
Current employee benefits	126,739	126,739	<u>\$ 150,977</u>	<u>(24,238)</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)

For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Retirees' benefits	47,880	57,880	64,234	(6,354)
Workmen's compensation	6,500	6,500	7,606	(1,106)
	<u>\$ 181,119</u>	<u>\$ 191,119</u>	<u>\$ 222,817</u>	<u>\$ (31,698)</u>
Total other	\$ 206,279	\$ 216,279	\$ 243,094	\$ (26,815)
Capital outlay - equipment	25,000	25,000	17,390	7,610
Total expenditures	<u>\$ 1,130,580</u>	<u>\$ 1,254,140</u>	<u>\$ 1,220,186</u>	<u>\$ 33,954</u>
Excess revenues over (under) expenditures. . .	\$ (62,511)	\$ (64,451)	\$ (371)	\$ 64,080
Other financing uses:				
Operating transfers out.			656	(656)
Excess of revenues and other sources over (under) expenditures and other uses.	\$ (62,511)	\$ (64,451)	\$ (1,027)	\$ 63,424
Fund balance - July 1, 2004.	567,811	567,811	567,811	
Fund balance - June 30, 2005	<u>\$ 505,300</u>	<u>\$ 503,360</u>	<u>\$ 566,783</u>	<u>\$ 63,424</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
MAJOR ROAD FUND

For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State-shared revenues	\$ 78,020	\$ 78,020	\$ 75,753	\$ (2,267)
Interest earnings	1,500	1,500	4,551	3,051
Total revenues	\$ 79,520	\$ 79,520	\$ 80,304	\$ 784
Expenditures:				
Operating expenses:				
Salaries	22,445	22,445	13,757	8,688
Overtime	500	500	1,955	(1,455)
Benefits	500	500		500
Conferences and workshops	10,193	10,193	5,342	4,851
	\$ 33,638	\$ 33,638	\$ 21,055	\$ 12,583
Maintenance:				
Supplies	1,000	1,000	1,395	(395)
Contractual services	2,500	3,600	3,666	(66)
Rental	4,000	4,000	3,701	299
	\$ 7,500	\$ 8,600	\$ 8,762	\$ (162)
Traffic service maintenance:				
Supplies	500	500	829	(329)
Contractual services	3,500	3,500	6,379	(2,879)
Rental	100	100		100
	\$ 4,100	\$ 4,100	\$ 7,208	\$ (3,108)
Winter maintenance:				
Supplies	4,000	2,900	2,134	766
Rental	4,000	4,000	4,206	(206)
	\$ 8,000	\$ 6,900	\$ 6,341	\$ 559
Administration:				
Equipment	500	500		500
Audit	950	950	660	290
	\$ 1,450	\$ 1,450	\$ 660	\$ 790
Construction			65,485	(65,485)
Total expenditures	\$ 54,688	\$ 54,688	\$ 109,511	\$ (54,823)
Excess of revenues over (under) expenditures	\$ 24,832	\$ 24,832	\$ (29,206)	\$ (54,038)
Other financing sources (uses):				
Transfer from Capital Project Fund			65,485	65,485
Transfer to Local Road Fund	(19,505)	(19,505)	(18,938)	567
Total other sources (uses)	\$ (19,505)	\$ (19,505)	\$ 46,547	\$ 66,052
Excess of revenues and other sources over expenditures and other uses	\$ 5,327	\$ 5,327	\$ 17,341	\$ 12,014
Fund balance - July 1, 2004	145,570	145,570	145,570	
Fund balance - June 30, 2005	\$ 150,897	\$ 150,897	\$ 162,911	\$ 12,014

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LOCAL ROAD FUND

For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State-shared revenues	\$ 33,216	\$ 33,216	\$ 32,353	\$ (863)
County maintenance agreement	750	750	1,052	302
Interest earnings	500	500	2,713	2,213
Total revenues	\$ 34,466	\$ 34,466	\$ 36,117	\$ 1,651
Expenditures:				
Operating expenses:				
Salaries	22,445	22,445	13,467	8,978
Overtime	1,000	1,000	1,845	(845)
Benefits	10,193	10,193	5,206	4,987
Conferences and workshops	500	500		500
	\$ 34,138	\$ 34,138	\$ 20,519	\$ 13,619
Maintenance:				
Supplies	1,500	1,500	790	711
Contractual services	2,000	2,000		2,000
Rental	3,000	3,000	2,998	2
	\$ 6,500	\$ 6,500	\$ 3,788	\$ 2,712
Traffic service maintenance:				
Supplies	400	400		400
Contractual services	200	200		200
	\$ 600	\$ 600	\$	\$ 600
Winter maintenance:				
Supplies	2,500	2,500	1,484	1,016
Rental	3,500	3,500	3,567	(67)
	\$ 6,000	\$ 6,000	\$ 5,051	\$ 949
Administration:				
Equipment	600	600		600
Audit	885	885	660	225
	\$ 1,485	\$ 1,485	\$ 660	\$ 825
Construction			156,499	(156,499)
Total expenditures	\$ 48,723	\$ 48,723	\$ 186,516	\$ (137,793)
Excess of revenues over (under) expenditures	\$ (14,257)	\$ (14,257)	\$ (150,399)	\$ (136,142)
Other financing sources:				
Transfer from Capital Project Fund			156,499	156,499
Transfer from Major Road Fund	19,505	19,505	18,938	(567)
Total other financing sources	\$ 19,505	\$ 19,505	\$ 175,437	\$ 155,932
Excess of revenues and other sources over expenditures	\$ 5,248	\$ 5,248	\$ 25,038	\$ 19,790
Fund balance - July 1, 2004	82,933	82,933	82,933	
Fund balance - June 30, 2005	\$ 88,181	\$ 88,181	\$ 107,971	\$ 19,790

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GARBAGE AND RUBBISH FUND

For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 187,504	\$ 187,504	\$ 187,925	\$ 421
State sources			907	907
Interest earnings	4,500	4,500	5,635	1,135
Total revenues	\$ 192,004	\$ 192,004	\$ 194,467	\$ 2,463
Expenditures:				
Current:				
Salaries and benefits	13,096	13,096	10,177	2,919
Contractual services	120,894	120,894	127,588	(6,694)
Audit expense	1,320	1,320	1,100	220
Municipal garage rental	850	850	850	
Equipment rental	3,000	3,000	2,110	890
Repairs and maintenance	1,850	1,850	1,407	443
Leaf disposal program	48,000	64,006	56,586	7,420
Miscellaneous	700	700	978	(278)
Total expenditures	\$ 189,710	\$ 205,716	\$ 200,795	\$ 4,921
Excess of revenues over (under) expenditures	\$ 2,294	\$ (13,712)	\$ (6,328)	\$ 7,384
Fund balance - July 1, 2004	157,924	157,924	157,924	
Fund balance - June 30, 2005	\$ 160,218	\$ 144,212	\$ 151,597	\$ 7,384

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
STREET AND DRAINAGE DEBT SERVICE FUND

For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 253,728	\$ 253,728	\$ 254,292	\$ 564
Interest earnings	500	500	777	277
Total revenues	\$ 254,228	\$ 254,228	\$ 255,069	\$ 841
Expenditures:				
Audit fees	100	100		100
Debt Service:				
Principal	95,000	95,000	95,000	
Interest	153,778	153,778	153,778	
Paying agent fees	350	350	225	125
Total expenditures	\$ 249,228	\$ 249,228	\$ 249,003	\$ 225
Excess of revenues over expenditures	\$ 5,000	\$ 5,000	\$ 6,067	\$ 1,066
Fund balance - July 1, 2004	2,620	2,620	2,620	
Fund balance - June 30, 2005	\$ 7,620	\$ 7,620	\$ 8,687	\$ 1,066

JANZ & KNIGHT, P.L.C. CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
STREET AND DRAINAGE CAPITAL PROJECT FUND

For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues - interest earnings	\$ 2,500	\$ 2,500	\$ 13,619	\$ 11,119
Other financing uses:				
Transfer to General Fund	8,000	8,000		8,000
Transfer to Road Funds	467,275	467,275	221,984	245,291
Total other financing uses	\$ 475,275	\$ 475,275	\$ 221,984	\$ 253,291
Excess of revenues (under) other uses	\$ (472,775)	\$ (472,775)	\$ (208,365)	\$ 264,410
Fund balance - July 1, 2004.	624,349	624,349	624,349	
Fund balance - June 30, 2005	<u>\$ 151,574</u>	<u>\$ 151,574</u>	<u>\$ 415,984</u>	<u>\$ 264,410</u>

JANZ F. KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2005

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and investments.	\$ 24,117	\$ 13,421	\$ 83,164	\$ 120,702
Due from other funds.	198			198
Total assets.	<u>\$ 24,315</u>	<u>\$ 13,421</u>	<u>\$ 83,164</u>	<u>\$ 120,900</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued wages payable	\$ 2,588	\$	\$	\$ 2,588
Due to other funds.	6,320			6,320
Due to other governments.	36			36
Total liabilities	\$ 8,943	\$	\$	\$ 8,943
Fund balances:				
Unreserved.	15,372	13,421	83,164	111,957
Total liabilities and fund balances	<u>\$ 24,315</u>	<u>\$ 13,421</u>	<u>\$ 83,164</u>	<u>\$ 120,900</u>

JANZ & KNIGHT, P.L.C. CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

June 30, 2005

	Building Department Fund	Library Fund	Rails to Trails Fund	Lake Level/ Drains Fund	Combined Total
ASSETS					
Cash and investments.	\$ 8,751	\$ 238	\$ 158	\$ 14,971	\$ 24,117
Due from other funds.		198			198
Total assets.	<u>\$ 8,751</u>	<u>\$ 435</u>	<u>\$ 158</u>	<u>\$ 14,971</u>	<u>\$ 24,315</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accrued wages payable	\$ 2,588	\$	\$	\$	\$ 2,588
Due to other funds.	6,182		158		6,320
Due to other governments.		36			36
Total liabilities	\$ 8,750	\$ 36	\$ 158	\$	\$ 8,943
Fund balance.	1	400		14,971	15,372
Total liabilities and fund balance.	<u>\$ 8,751</u>	<u>\$ 435</u>	<u>\$ 158</u>	<u>\$ 14,971</u>	<u>\$ 24,315</u>

JANZ & KNIGHT, P.L.C.: CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS

June 30, 2005

	Water Supply System Bonds Debt Retirement Fund	Fire Stations Bond Fund	Combined Totals
ASSETS			
Cash and investments	\$	\$ 13,421	\$ 13,421
LIABILITIES AND FUND BALANCE			
Fund balance	\$	\$ 13,421	\$ 13,421

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS

June 30, 2005

	Water Improvement Construction Fund	Combined Total
ASSETS		
Cash and investments	\$ 83,164	\$ 83,164
LIABILITIES AND FUND BALANCE		
Fund balance	\$ 83,164	\$ 83,164

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2005

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
Revenues:				
Taxes	\$ 21,236	\$ 47,619	\$	\$ 68,855
Licenses and permits	38,149			38,149
State source	99			99
Interest earnings	835	279	1,573	2,686
Total revenues	\$ 60,317	\$ 47,898	\$ 1,573	\$ 109,788
Expenditures:				
Current:				
General government				
Public safety - Building inspection	39,193			39,193
Public works - Drains	2,105			2,105
Recreation and culture	20,557			20,557
Debt service:				
Principal		35,000		35,000
Interest and finance charges		12,371		12,371
Total expenditures	\$ 61,854	\$ 47,371	\$	\$ 109,225
Excess of revenues over (under) expenditures	\$ (1,537)	\$ 527	\$ 1,573	\$ 563
Other financing sources (uses):				
Operating transfers in	656			656
Operating transfers out		(3,326)		(3,326)
Total other financing sources (uses)	\$ 656	\$ (3,326)	\$	\$ (2,670)
Excess of revenues and other sources over (under) expenditures and other uses	\$ (880)	\$ (2,799)	\$ 1,573	\$ (2,107)
Fund balance - July 1, 2004	16,253	16,220	81,591	114,064
Fund balance - June 30, 2005	\$ 15,372	\$ 13,421	\$ 83,164	\$ 111,957

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2005

	Building Department Fund	Library Fund	Rails to Trails Fund	Lake Level/ Drains Fund	Total
Revenues:					
Taxes	\$	\$ 20,439	\$	\$ 796	\$ 21,236
Licenses and permits	38,149				38,149
State source		99			99
Interest earnings	333	48	5	449	835
Total revenues	\$ 38,482	\$ 20,586	\$ 5	\$ 1,245	\$ 60,317
Expenditures:					
Current:					
Public safety - Building inspection	39,193				39,193
Public works - Drains				2,105	2,105
Recreation and culture		20,543	14		20,557
Total expenditures	\$ 39,193	\$ 20,543	\$ 14	\$ 2,105	\$ 61,854
Excess of revenues over (under) expenditures . .	\$ (711)	\$ 42	\$ (9)	\$ (859)	\$ (1,537)
Other financing sources:					
Operating transfers in	650		6		656
Excess of revenues and other sources over (under) expenditures	\$ (61)	\$ 42	\$ (2)	\$ (859)	\$ (880)
Fund balance - July 1, 2004	62	358	2	15,831	16,253
Fund balance - June 30, 2005	\$ 1	\$ 400	\$	\$ 14,971	\$ 15,372

JANZ & KNIGHT, P.L.C. CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 DEBT SERVICE FUNDS

For the Year Ended June 30, 2005

	Water Supply System Bonds Debt Retirement Fund	Fire Stations Bond Fund	Combined Totals
Revenues:			
Taxes	\$	\$ 47,619	\$ 47,619
Interest earnings	23	256	279
Total revenues	\$ 23	\$ 47,875	\$ 47,898
Expenditures:			
Debt service:			
Principal		35,000	35,000
Interest and finance charges		12,371	12,371
Total expenditures	\$	\$ 47,371	\$ 47,371
Excess of revenues over expenditures	\$ 23	\$ 504	\$ 527
Other financing uses:			
Operating transfers out	3,326		3,326
Excess of revenues and over (under) expenditures and other uses	\$ (3,303)	\$ 504	\$ (2,799)
Fund balance - July 1, 2004	3,303	12,917	16,220
Fund balance - June 30, 2005	\$	\$ 13,421	\$ 13,421

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS

For the Year Ended June 30, 2005

	Water Improvement Construction Fund	Combined Totals
Revenues - interest earnings	\$ 1,573	\$ 1,573
Excess of revenues over expenditures	\$ 1,573	\$ 1,573
Fund balance - July 1, 2004.	81,591	81,591
Fund balance - June 30, 2005	<u>\$ 83,164</u>	<u>\$ 83,164</u>

JANZ & KNIGHT, P.L.C. CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
BUILDING DEPARTMENT FUND

For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Licenses and permits.	\$ 38,500	\$ 38,500	\$ 38,149	\$ (352)
Interest earnings	100	100	333	233
Total revenues.	\$ 38,600	\$ 38,600	\$ 38,482	\$ (118)
Expenditures:				
Current:				
Salaries.	31,083	31,083	28,641	2,442
Benefits.	4,474	4,474	9,716	(5,242)
Supplies and miscellaneous.	2,415	2,415	836	1,579
Total expenditures.	\$ 37,972	\$ 37,972	\$ 39,193	\$ (1,221)
Excess of revenues over (under) expenditures.	\$ 628	\$ 628	\$ (711)	\$ (1,339)
Other financing sources:				
Operating transfers in.			650	650
Excess of revenues and other sources over (under) expenditures	\$ 628	\$ 628	\$ (61)	\$ (689)
Fund balance - July 1, 2004	62	62	62	
Fund balance - June 30, 2005.	\$ 690	\$ 690	\$ 1	\$ (689)

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CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LIBRARY FUND

For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 20,399	\$ 20,444	\$ 20,439	\$ (5)
State sources	100	100	99	(1)
Interest earnings	20	20	48	28
Total revenues	\$ 20,519	\$ 20,564	\$ 20,586	\$ 22
Expenditures:				
Contractual services	20,399	20,444	20,445	(1)
Miscellaneous	100	100	99	1
Total expenditures	\$ 20,499	\$ 20,544	\$ 20,543	\$ 1
Excess of revenues over expenditures	\$ 20	\$ 20	\$ 42	\$ 22
Fund balance - July 1, 2004	358	358	358	
Fund balance - June 30, 2005	\$ 378	\$ 378	\$ 400	\$ 22

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CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
RAILS TO TRAILS FUND

For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Interest earnings	\$ 50	\$ 50	\$ 5	\$ (45)
Donations	500	500		(500)
Total revenues	\$ 550	\$ 550	\$ 5	\$ (545)
Expenditures:				
Maintenance	500	500		500
Miscellaneous	500	500	14	487
Improvements	1,500	1,500		1,500
Total expenditures	\$ 2,500	\$ 2,500	\$ 14	\$ 2,487
Excess of revenues over (under) expenditures	\$ (1,950)	\$ (1,950)	\$ (9)	\$ 1,941
Other financing sources:				
Operating transfers in	1,500	1,500	6	(1,494)
Excess of revenues and other sources over (under) expenditures	\$ (450)	\$ (450)	\$ (2)	\$ 448
Fund balance - July 1, 2004	2	2	2	
Fund balance - June 30, 2005	\$ (448)	\$ (448)	\$	\$ 448

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CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LAKE LEVEL/DRAINS FUND

For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 800	\$ 800	\$ 796	\$ (4)
Interest earnings	75	75	449	374
Total revenues	\$ 875	\$ 875	\$ 1,245	\$ 370
Expenditures:				
Lake level - county drain	1,500	2,100	2,105	(5)
Audit	50	50		50
Total expenditures	\$ 1,550	\$ 2,150	\$ 2,105	\$ 45
Excess of revenues over (under) expenditures	\$ (675)	\$ (1,275)	\$ (859)	\$ 416
Fund balance - July 1, 2004	15,831	15,831	15,831	
Fund balance - June 30, 2005	\$ 15,156	\$ 14,556	\$ 14,971	\$ 416

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CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
FIRE STATION BOND FUND

For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 47,521	\$ 47,521	\$ 47,619	\$ 98
Interest earnings	50	50	256	206
Total revenues	\$ 47,571	\$ 47,571	\$ 47,875	\$ 304
Expenditures:				
Audit fees	100	100		100
Debt Service:				
Principal	35,000	35,000	35,000	
Interest	11,971	11,971	11,971	
Paying agent fees	500	500	400	100
Total expenditures	\$ 47,571	\$ 47,571	\$ 47,371	\$ 200
Excess of revenues over expenditures	\$	\$	\$ 504	\$ 504
Fund balance - July 1, 2004	12,917	12,917	12,917	
Fund balance - June 30, 2005	\$ 12,917	\$ 12,917	\$ 13,421	\$ 504

JANZ & KNIGHT, P.L.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

JANZ & KNIGHT, P.L.C.

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50
YEARS
1954-2004

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

September 1, 2005

To The City Council and Management
of the City of Sylvan Lake

In planning and performing our audit of the general purpose financial statements of the City of Sylvan Lake for the year ended June 30, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the City of Sylvan Lake's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

1. Budgets: The adoption of the Michigan Uniform Local Budgeting Act (Act N. 621, Public Acts of 1978), effective for fiscal years beginning after December 31, 1980, has made it mandatory that balanced budgets be adopted and that those budgets be amended before expenditures exceed the budgeted amount. Expenditures significantly exceed budgeted amounts in the following areas:

<u>Fund</u>	<u>Activity</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Budget Variance</u>
General	Police department	\$ 345,739	\$ 363,689	\$ 17,950
General	Public works	107,400	111,409	4,009
General	Employee benefits	191,119	222,817	31,698
Major Road	Construction		65,485	65,485*
Local Road	Construction		156,499	156,499*

*Construction expenditure budgeted in capital project fund.

We urge the Council to continue to periodically compare budget and actual expenditures and to amend the budget prior to approval of expenditures, including accruals, which will exceed the budget.

Budgets should also reflect appropriation of prior year fund balance when required for a balanced budget. Appropriations should not exceed fund balance when adjusted at year end.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level of risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable condition that are also considered to be material weaknesses as defined above. However, the reportable conditions described above are not believed to be a material weakness.

This report is intended solely for the information and use of the City Council, management, and others within the administration. However, this report is a matter of public record, and its distribution is not limited.

We would be pleased to discuss any of the aforementioned items with the Council and to assist in the implementation of these recommendations at your convenience.

Very truly yours,



Certified Public Accountants

J&K/srz